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Audit's NEWS ANALYSIS OF SECURITIES OF REAL ESTATE INVESTMENT TRUSTS

Realty Trust Review

April 15, 1974 VOL. V, No. 7

VALUE GUIDE TO TRUST REVIEWED IN THIS ISSUE

Trust	Port. Yield	-6 Mo. Last	Port.Chng.- E Next	Lever. Ratio	Price	Div. Yield	Div. Reinv.	Page
Amer. Century Mtg.	11.44%	2%	-10%	1.84	$ 7.38	13.6%	No	8
Amer. Fletcher	14.00	19	5-8	2.62	19.75	14.4	No	3
Altanta Nat'l. RET	14.47	2	NE	1.06	9.75	19.7	Yes	3
Flatley Rlty.	16.53	6	2	1.96	7.50	12.3	Yes	4
HNC Mtg.	12.17	17	-20	2.00	9.25	19.5	No	4
Hanover Square	13.11	7	7	1.61	11.25	20.2	No	5
Justice Mtg.	13.47	7	5	1.18	16.50	17.4	No	7
Summit Prop.	15.49	9	5-8	2.48	11.00	11.4	No	7
Wells Fargo	11.64	25	15-18	2.66	15.00	13.3	Yes	6
AVG.	13.59%	10%	1.3%	1.93		15.7%		

These three measures are selected to aid investors. Averages for the measures are shown so each trust may be compared to the average. Portfolio yield is a general measure of risk to the investor, with highest yield typically the riskiest for mortgage trusts. This connotation does not apply to equity trusts since manner of purchase and lease terms can cause wide variations. Changes in funded portfolio indicate relative dynamism of increases in earning assets, although holdings of equity trusts typically will increase much more slowly than mortgage trusts. Leverage ratio indicates a trust's ability to obtain external non-convertible funds, although recent financings or policy decisions may lower this ratio temporarily. Leverage is the ratio of all non-convertible debt to the trust's capital (equity plus convertibles plus subordinated debt). Ratios above 3.0 are rare and may portend capital financing. NE-No estimate.

Trusts with dividend reinvestment plans for shareholders are indicated above. Further information is avilable from the trusts themselves. Statistical summaries for each trust reviewed show the trust's operating record for the four latest quarters, including ranges for share prices and dividend yields. Price ranges are those for calendar quarters. Where calendar quarters and a trust's interim period do not coincide, prices are shown for the calendar quarter covering two months of the trust interim.

TRUSTS WITH STRONG MANAGEMENT HOLDINGS: WORTH CONSIDERING DESPITE PROBLEMS

The ranks of trusts with strong management or sponsor holdings are relatively small and we list on page 2 a total 26 trusts where insiders or sponsors hold 3% or more. This indicates the sponsor and/or management has money riding on the shares of about one of every five large REITs. We reviewed 10 of these REITs on March 11 (see our comments then) and another nine are surveyed this issue. On balance the group has many issues worthy of consideration for current investment despite the overall unfavorable investment climate for REITs. An old adage, we seem to recall, says, "Buy low, sell high."

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TRUSTS WITH INSIDER OWNERSHIP

Trust	% Held	Trust	% Held	Trust	% Held
American Century	3.3*	Gould Inv. Tr.	19.9	Realty ReFund	7.9
American Fletcher	4.3*	Great Amer.Mtg.	3.8	Summit Prop.	5.6
Atlanta Nat'l.	3.1	HNC Mortgage	31.0*	Terrydale	29.0
BT Mtg. Inv.	5.0	Hanover Sq. Rl.	15.1	U.S.Equity & Mtg.	11.0
Commonwealth Nat'l.	5.3*	Justice Mtg.	3.5#	U.S.Realty	6.4
First Cont'l.	5.5	Mortgage Gro.Inv.	7.7*	Unionamerica Mtg.	3.3
Flatley Rlty.	16.0	New Plan Rlty.	32.6	Walter (Jim) Inv.	9.7*
GIT Realty	33.0	Property Capital	3.1	Wells Fargo Mtg.	3.8
General Growth	23.3	Realty Income	25.0#		

Unmarked percentages owned by individuals. *Corporate ownership. #Corporation and principals.

But large management holdings are no guarantee against major problem investments or mis-steps in liability management. Two trusts reviewed this issue *(American Century Mortgage, HNC Mortgage)* have run into high concentrations of non-earning assets and a trust reviewed March 11, *Great American Mortgage*, encountered severe and unexpected runoff of its commercial paper in the second half of March, forcing a 38% dividend reduction and leading to a sickening 50% fall in share price. The nine trusts reviewed include two equity trusts, five short-term mortgage and two long-term mortgage trusts.

THREE KEY RATIOS

	Loss Res.#	Prob. Inv.#	Exp. Ratio*
Amer. Century Mtg.	0.87%	18.4%	1.38%
Amer. Fletcher	0.73	1.4	1.15
Atlanta Nat'l. RET	0.73	4.8	2.01
Flatley Rlty.	0.08	None	1.50
HNC Mtg.	0.35	14.6	1.20
Hanover Square	0.21	None	1.66
Justice Mtg.	0.40	0.7	1.62
Summit Prop.	None	None	0.66
Wells Fargo	0.25	0.5	1.20
AVG.	0.40%	4.5%	1.37%

#Based on gross portfolio. *Avg. of last two qtrs. Problem investments are total of acquired property and non-earning assets on which interest or rent is not being accrued.

Investment decisions should be considered against the backdrop of our special April 8 advisory concerning the sudden souring of the commercial paper market. We have tried to assess the probable impact of unsettlement in REIT commercial paper for each trust reviewed but we caution that this market has not yet settled down. The two equity trusts, *Summit Properties* and *Flatley Realty*, have no exposure in this market while *Wells Fargo Mortgage*, the industry's fifth largest commercial paper user, has experienced no shrinkage in paper sales to date, reflecting its major bank sponsorship.

We should make clear that our April 8 advisory related to both short-term mortgage and other types of trusts dependent upon commercial paper sales. Some subscribers have interpreted the advisory as urging avoidance of all short-term mortgage trusts, and we apologize for any lack of clarity in the wording. For the record, there's a list of short-term mortgage trusts which do not have any commercial paper outstanding:

Amer. Fletcher Mtg.	Commonwealth Mtg.	Galbreath Mtg.	Mtg. Inv. Wash.
Baird & Warner Mtg.	Dominion Mtg.	Hamilton Inv.	Palomar Mtg.
Barnes Mtg. Central	First Commerce Mtg.	Heitman Mtg.	Sutro Mtg.
Central Mtg.	First Cont. REIT	KMC Mtg.	TMC Mtg.
Colwell Mtg.	Fraser Mtg.	M&T Mtg.	Western Mtg.

We have received numerous letters and inquiries from subscribers wondering whether or not to hold various REITs for which they have paid much higher prices. It is impossible to comment directly on all trusts mentioned but again we would urge subscribers to check their holdings against the lists on page 2 of the Jan. 28 issue. There are numerous smaller REITs whose operating capabilities are good (some are reviewed this issue) but whose share prices are suffering from the general poor investment climate. Until short-term interest rates reverse themselves, we do not expect any revival in share prices. It appears that inventory buying in advance of the April 30 expiration of price controls is partially responsible for the interest rate surge; if this is so, then we'd expect rates to begin falling after April 30, easing pressure on REITs and companies from banks feeling the same pressures as the commercial paper market.

AMERICAN FLETCHER MORTGAGE INVESTORS (19 3/4--ASE-AFM) FY Jan. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price Range-	-Yld.range-
4/73	$90.8M	10.61%	12.32%	$0.76	$0.70	$30.38-26.50	10.6-9.2%
7/73	97.8	11.56	12.68	0.80	0.70	29.00-24.88	11.3-9.7
10/73	108.0	13.47	13.54	0.85	0.70	29.00-24.75	11.3-9.7
1/74	116.7	14.00	13.42	0.84	0.70*	29.63-20.75	13.7-9.6

*Excl. $0.05 year-end extra.

Portfolio dynamics: The trust experienced a 19% increase in fundings during the past six months but management indicates the growth rate will be slowing in the next six months. This easing in portfolio growth is predicted because the trust cannot leverage itself beyond a 3.0 ratio vs. 2.6 currently under terms of its 7-year bank term loan. Since AFM does not plan a public financing in the next six months, new fundings will have to be financed by bank lines. It is here the restriction on funding growth pinches. We look for a 5-8% growth in portfolio in next six months. The present portfolio is 75.4% constr.; 24.2% land devel.; 0.4% land purchase/leasebacks. By type of project the portfolio is 26% apartments; 19% condominiums; 18% shopping centers; 3% office buildings; 10% miscellaneous; the remainder in land/land devel. and one land purchase leaseback. Investments are located in 19 states with concentrations in Ind. (36.5%) Fla. (14.2%) and Ohio (12.3%). Virtually all loans, except for the land purchase/leaseback, are tied to the prime rate. Trust at present has one problem loan amounting to $1.62M, a first mtg. construction loan for $1.8M in which AFM has a 90% participation. The loan is on a completed apartment project in Indiana. Mgmt. has begun foreclosure proceedings. Presently it is not possible to determine if any loss of principal will result. Financing: Trust is funded 72% by non-convertible debt and 28% by capital. Capital of $34.2M is all equity with 1.35M shares. Debt of $89.5M is 78% bank notes and 22% in a 7-year term loan. Trust does not plan any public financing in next six months but will attempt to increase its bank lines. Trustees recently extended the expiration date on the warrants from Jan. 31, 1975 to Feb. 28, 1978. As part of the extension the current $25 exercise price will rise to $26 on Sept. 1, 1975 and to $27 on March 1, 1977. After Aug. 31, 1975 the warrants may be called for $1.00 per warrant by the trust if the closing price of the shares has been at least 5% above the current warrant exercise price on each of the 20 trading days immediately before the call. Sponsor: American Fletcher Corp., bank holding co., one of Indiana's largest. American Fletcher Corp. owns about 4.25% of trust shares. Results & outlook: Despite high money rates, trust was able to increase earnings over the past six months. Credit goes to portfolio quality well maintained by a conservative management. Outlook for the next six months is for level earnings and dividends at best. Growth in portfolio will slow due to restrictions on borrowings mentioned above. Mgmt. seems capable of working out its minor problem loan with time. Trust earnings and shares will remain under pressure due to higher interest rates but shares represent a solid holding based on quality of both the portfolio and management. (VCK)

ATLANTA NATIONAL REAL ESTATE TRUST (9 3/4--OTC-ATNAS) FY Aug. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price Range-	-Yld.range-
5/73	$36.8M	13.08%	9.71%	$0.45	$0.45	$15.25-13.50	13.3-11.8%
8/73	42.0	13.63	10.74	0.50	0.50	16.38-14.00	14.3-12.2
11/73	42.2	13.77	10.10	0.47	0.47	16.38- 9.75	19.3-11.5
2/74	42.9	14.47	10.35	0.48	0.48	11.75- 8.50	22.6-16.3

Portfolio dynamics: Portfolio in Feb. was 39% constr.; 27% other short-term; 18% long-term and equity ownership; 16% constr. to become long-term. Commitments by property type are 31% medical, 22% multifamily, 21% condominium, 9% motel, 9% land devel., 6% office buildings, 2% warehouses. Investments are located in 7 states with about three quarters in Ga., Fla and Tex. Fundings increased 2% in the past six months. The growth in portfolio for the next six months will depend heavily upon trust ability to increase bank lines or privately place debentures. All short-term loans, about 80% of the portfolio, are tied to prime. Trust has two problem loans totalling $2.076M or

4.8% of portfolio. One loan of $2.0M is on a completed motel in the Orlando, Fla. area near Walt Disney World. The energy crises and overbuilding of hotels & motels in the area have caused low occupancy levels so that interest payments cannot be met. Trust does not plan to foreclose. The other loan, a $76T development loan in Waynesboro, Ga. is now in foreclosure proceedings but any loss will be minimal. A loan of $683T on a condominium project in Atlanta has become current. Financing: Trust is funded 52% by non-convertible debt and 48% by capital. Capital of $23.4M is all equity (w. 1.26M shares) while debt of $24.9M is all short-term bank loans. Trust does not plan a public financing in next six months. It plans to finance portfolio by an increase in bank lines or a private placement of subordinate debentures. Sponsor: Atlanta Nat'l. Mgmt. Co. is 50% owned by Charter Medical Corp., an ASE listed company which owns, leases and manages hospitals, nursing homes and medical office buildings. Trust and officers as a group owned 3.1% of the shares plus some warrants at latest report. Results & outlook: Uncertainty over the trust's ability to increase bank lines or complete a private placement of subordinate debentures limits future funding growth. The problem loan of $2.0M will continue to put pressure on earnings and dividends even though trust management has shown ability to work out of problem situations. At best, near future results will remain level. Shares high yield is compatible to the investment risks in this situation. (VCK)

FLATLEY REALTY INVESTORS (7½--OTC-FLTLS) FY June 30

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price Range-	-Yld.range-
3/73	$21.42M	10.08%	9.70%	$0.21	$0.19	$8.25-7.13	10.66- 9.21%
6/73	23.07	15.31	12.08	0.23	0.21	8.13-6.75	12.44-10.33
9/73	22.95	16.29	12.18	0.24	0.22	8.25-6.88	12.79-10.67
12/73	24.47	16.53	12.37	0.24	0.23	8.50-6.25	14.72-10.82

Portfolio dynamics: Total investments increased 6% over the past six months. Equity holdings were flat while short-term fundings increased 18%. The portfolio hovered evenly between equity and short-term mortgages the last four quarters with mortgages climbing to 54% last quarter. The only equity addition since the trust's inception in early 1972 was the purchase of Dedham Mall shopping center in early 1973. This 400,000 sf regional shopping center in Dedham, Mass. is substantial, accounting for nearly 60% of the trust's equity holdings. This Boston centered trust has its mortgage and equity holdings primarily in Massachusetts while a few mortgage loans are also in N.J., upper New York and Florida. Loans are primarily for apartments and condominiums with shopping centers also important. Net funding growth the next few months will be modest. The $4.5-5.5 million to be advanced over the next six months will likely come mostly from rollovers. This may be all that available financing will permit. Spread could be reasonably well maintained with 92% of loans tied to prime. Strictly speaking there are said to be no problem loans, that is no losses are expected from the present portfolio. Financing: The trust would like to obtain additional equity if market conditions permit. With a small but solid base of shareholders, it would be feasible to obtain a few million more in equity. Further debt leverage is desired on the basis of applying existing short-term borrowings against equity in recognition of property holdings being separate. This may not be attainable in present lending circumstances. Current funding is 34% equity, 66% debt. Sponsor: Independent. Thomas Flatley, owner of the adviser, owns 16% of the trust shares. Mr. Flatley also owns a development company which does work for the trust and a property management company which handles the trust's properties. Results & outlook: Earnings were flat last quarter after being up slightly the previous quarter. Very slight gains may be attained the next few interims. They will be modest and hard to come by as the portfolio level is likely to remain essentially static under present financing limitations. The equity side may be increased in 1975 when an option comes due on an apartment complex the trust is funding. The shares offer sound equity participation which has a sound regional base for probable future growth. (BS)

HNC MORTGAGE AND REALTY INVESTORS (9¼--OTC-HASQS) FY Oct. 31

Portfolio dynamics: During the past six months, portfolio increased 17%. In the next six months, management expects investments to drop, possibly to the $110M level.

HNC MORTGAGE AND REALTY INVESTORS (continued)

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price Range-	-Yld.range-
4/73	$109.5M	10.30%	10.00%	$0.53	$0.52	$25.63-23.00	9.0- 8.1%
7/73	122.0	11.46	10.41	0.54	0.54	22.00-17.50	12.3- 9.8
10/73	140.1	13.39	10.05	0.51	0.54	20.75-18.50	11.7-10.4
1/74	142.8	12.17	9.58	0.49	0.45	21.25- 9.50	19.0 8.5

Repayment of old loans coupled with current holddown on new commitments will reduce fundings. Management feels that it is better to have more liquidity in the portfolio. Fundings on Jan. 31, 1974 were 50% constr., 18% long-term first mtg., 14% land/devel., 10% short-term standing, 4% short-term junior, 3% long-term junior, 1% land acquired through foreclosure. By type of project the portfolio was 31% apartments, 22% condominiums, 14% office buildings, 10% entertainment centers, 9% hotel/motels, 4% shopping centers, 4% mobile home parks, 3% other, 2% warehouses, 1% single family. Investments were in 22 states concentrated in Fla. (20%), N.Y. (13%) and Conn. (12%). Although about 75% of loans are tied to prime, effectively only about 50% of loans float with prime since the other loans have reached their maximums. At Jan. 31, 1974 trust had $20.9M, or 14.6% of the portfolio in loans on which it was not accruing interest or loans acquired through foreclosure. Of this amount, trust had $17.2M in loans to Walter J. Kassuba (see RTR, Special Bulletin, Dec. 27, 1973). The $17.2M is in 6 projects. Recently the court gave the trust a release to either complete the properties or sell them as is. If the trust makes a profit on any of these loans, it will be placed in an escrow account and remain in the court's hands until the bankruptcy proceeding is completed and all unsecured lenders paid. Only after this will the trust receive any possible profit. The largest loan to Kassuba is a $7.2M standing loan on a completed apartment project near Chicago. Trust is close to completing sale of this property. Beside the 6 Kassuba loans, there are 3 other problem loans. One is a $1.8M land loan in Orlando, Fla. which the trust foreclosed and acquired possession. Trust at present does not plan to sell the property. The second is a $1.3M loan on a completed condominium project in Chicago, now in foreclosure and to be sold once the trust gains possession. The third is a $600T land loan in Calif. which was to be converted into a constr. loan. Trust is holding off on foreclosure to see if construction will start. <u>Financing:</u> Trust is funded 33% by capital and 67% by non-convertible debt. Capital of $50.4M is 95% in equity with 2.38M shares and 5% in 6 3/4% convertible debentures. Debt of $101.0M is 59% bank loans and 41% commercial paper. Sale of commercial paper is done through Lehman Bros. and lately has been down substantially. Moody's had rated the paper P-3 but recently withdrew its rating. Trust does not plan to do any public financing in the next six months. <u>Sponsor:</u> The trust's adviser is wholly owned by Hartford National Corp. whose principal subsidiary is Hartford National Bank and Trust. Hartford National owns 31.1% of trust shares. <u>Results & outlook:</u> High interest costs, a decline of portfolio yield and the significant amount in problem loans caused the recent drop. Since fundings will be down near term and time is needed for problem loans to be resolved, earnings and dividends will suffer further declines. The continuation of high interest rates will also put more downward pressure on earnings. Purchase of shares should be deferred until the situation is resolved.

(VCK)

HANOVER SQUARE REALTY INVESTORS(11¼--OTC-HASQS) FY Aug. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price Range-	-Yld.range-
5/73	$50.9M	10.98%	9.89%	$0.57	$0.42	$19.50-17.00	9.9- 8.6%
8/73	56.8	12.34	10.78	0.61	0.55	18.50-16.00	13.8-11.9
11/73	59.8	13.34	11.38	0.61	0.57	18.50-13.75	16.6-12.3
2/74	60.7	13.11	11.43	0.61	0.58	14.25-11.75	19.7-16.3

<u>Portfolio dynamics:</u> The portfolio, which presently contains no problem loans or foreclosed property, grew at a 7% rate in the latest six months. Management expects this growth rate to be maintained over the next six months with the same composition. Current makeup is 56% constr. loans, 22% junior, 8% short-term, 4% land, 4% intermediate, 3% land devel., 2% wraparound, and 1% land purchase/leaseback. The portfolio breakdown by type of property is 69% residential (incl. apartments, single family, condominiums),

14% office and industrial buildings, 13% retail and shopping centers and 4% land. Geographic distribution of loans is 31% Northeast; 27% Southeast; 13% Mid-Atlantic; 12% Southwest; 11% Midwest; 6% other. Although about 80% of total loans are tied to prime, a number of loans have reached their maximums so that effectively only 67% of all loans are floating with prime. Financing: Trust is funded 38% by capital and 62% by non-convertible debt. Capital of $24.2M is 74% in equity with 944T shares and 26% in 7¼% convertible debentures. Debt of $38.9M is 87% short-term bank loans and 13% commercial paper backed by a letter of credit from one line bank. Trust does not plan a public financing in the next six months. Existing bank lines and commercial paper will allow portfolio to grow to about $70M. Shareholders recently amended the trust's declaration to ease restrictions so that total debt may rise from 400% of net assets (defined as total assets less total liabilities, excl. subor. deben.) to 500% of net assets (defined as total assets less total liabilities, incl. subor. deben.). Sponsor: Trust's adviser, Pearce, Mayer & Greer subsidiary of W.R. Grace, the large NYSE diversified company. Sponsors, trustees, officers and associates of the trust own 15.1% of trust shares. Results & outlook: Steady growth in portfolio and portfolio yield plus absence of problem loans enabled the trust to overcome high money cost, producing level earnings and modest dividend gains. High money costs if continued, will hold back earnings gains. Steady portfolio growth and absence of problem loans, if continued as portfolio matures, should enable trust to maintain recent levels. The present high yield reflects high money costs and possible problem loans as inherent. The shares have speculative appreciation potential but should only be bought by those who can weather the present negative investment climate.
(VCK)

WELLS FARGO MORTGAGE INVESTORS (15--NYSE-WFM) FY June 30

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price Range-	-Yld.range-
3/73	$197.3M	9.93%	12.33%	$0.56	$0.54	$25.88-21.88	9.9-8.4%
6/73	205.4	10.29	11.98	0.55	0.54	24.25-20.50	10.5-8.9
9/73	233.1	11.08	10.21	0.47	0.50	22.88-18.50	10.8-8.7
12/73	256.3	11.64	11.41	0.52	0.50	23.00-14.38	13.9-8.7

Portfolio dynamics: The Dec. portfolio, which increased 25% in the past six months, was 62% constr., 20% land & devel., 13% intermediate & other, 5% equity (incl. partnerships and land purchase-leasebacks). Management expects growth during the next six months will be in equity and we are looking for a 15-18% increase in fundings. By type of project, the portfolio was 33% apartments, 20% land & devel., 13% condominiums, 12% single family, 8% office buildings, 7% industrial, 6% misc. (mostly mobile home parks) and 2.5% shopping centers. Investments are located in 21 states concentrated in Calif. (37%), Ariz. (15%) and Tex. (13%). About 39% of investments are tied to the prime or the commercial paper rate. Trust has only one problem loan of $1.3M, or 0.5% of the portfolio. This is a loan to U.S. Financial. Total loans to U.S. Financial now amount to $6.0M and except for the above mentioned loan are current. (U.S. Financial is a former nationwide developer currently under Chapter XI bankruptcy protection). Financing: Trust is funded 27% by capital and 73% by non-convertible debt. Trust's capital base of $71.5M is all equity with 3.91M shares. Debt of $190M is all commercial paper. Trust reports its commercial paper sales are going well despite the rough time other REITs are experiencing. No public offering is planned in the next six months. Warrants were extended from July 1, 1974 to July 1, 1977, terms unchanged. Sponsor: The adviser is a subsidiary of Wells Fargo & Co., one-bank holding company. Trustees and officers own 3.8% of shares. Results & outlook: Despite the fact that portfolio yield rose over the past six months, money costs rose even more, causing a squeeze on spreads and producing lower results. Lower interest rates and a lack of significant problem loans produced the better results of the Dec. qtr. The prevailing high rates should continue to hamper earnings in the March qtr. and extend into the June qtr. if the high levels remain. Since only about 39% of trust's loans float with prime and future near-term concentration will be in the lower yielding equity area, portfolio yield should not increase significantly. In the poor REIT industry investment environment the shares are a hold and new purchases should be avoided until the present unfavorable climate, especially in commercial paper, improves.
(VCK)

SUMMIT PROPERTIES (11--OTC-SMMTS) FY Oct. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	Cash Flow	Div.	-Price Range-	-Yld.range-
4/73	$45.2M	15.25%	15.24%	$0.33	$0.275	$13.25-12.50	8.8-8.3%
7/73	49.6	15.46	14.86	0.30	0.275	13.75-12.75	8.6-8.0
10/73	49.7	14.55	10.93	0.22	0.275*	13.50-11.75	9.8-8.5
1/74	54.3	15.49	11.63	0.14	0.275	12.75-11.50	9.6-8.6

*Excl. $0.05 year-end extra.

Portfolio dynamics: This equity trust has been able to increase its portfolio by 9% over the past six months. Current investments are 74% in buildings, 21% in land, 5% in mtg. The mtgs. were made in conjunction with future equity acquisitions. The portfolio by property type is 39% shopping centers, 13% motor carrier terminals, 12% apartments, 11% motels, 10% industrial, 7% office buildings, 4% land and 4% mtg. The trust's 10 shopping centers are net leased, contain 1.64M sq. ft. Net leasing of properties in shopping centers and motor terminals, over half of investments, provides stability but also limits inflation hedging characteristics because the trust does not share in increased rents or sales. The three apartment holdings have 428 units. Two motels are in Orlando, Fla. and have 345 rooms. Both are net leased. Investments are located in 13 states concentrated in Ohio and Florida. In the next six months we estimate portfolio growth of 5-8%. Management states new investments will be along existing lines. There are no problem properties. Financing: Trust is funded 29% by capital and 71% by non-convertible debt. Debt of $38.4M is 87% in mtg., deben. & bank notes & 13% in revolving credit. No public financing is planned the next six months. Sponsor: Brunswick Mgmt. Co., a full service real estate company, provides advisory services. Formerly the trust was self-administered. Trustees and officers own 5.6% of shares. Results & outlook: The poor earnings performance in the past two quarters was largely caused by the increase of 300T shares in Oct. Fair quality of trust's holdings and a steady equity acquisition program should enable modest growth. Shares selling at a slight premium over book value provide a decent yield (10%) and are immune to the problems faced by the mortgage REITs. The shares offer modest long-term, appreciation potential. (VCK)

JUSTICE MORTGAGE INVESTORS (16½--NYSE-JMI) FY Sept. 30

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price Range-	-Yld.range-
6/73	$69.8M	12.28%	14.56%	$0.66	$0.66	$25.00-21.00	12.6-10.6%
9/73	80.9	13.51	17.09	0.74	0.74	25.25-22.25	13.3-11.7
12/73	84.2	14.02	17.74	0.77	0.77	26.38-19.63	15.7-11.7
3/74	86.6	13.47	15.79	0.72	0.72	24.88-17.75	16.2-11.6

Portfolio dynamics: In the current quarter, portfolio breakdown was 65% constr., 26% acq. and devel., 5% land and other, 2% second mtg. and 2% real estate (350 acres of land under development). Fundings increased 7% in the past six months. Management expects investment to remain level for the June quarter and then pick up moderately in the following quarter. Based on this estimate we look for a 5% gain in the next six months. An analysis of commitments by type of project is 25.6% single family, 24.9% apartments, 13.2% townhouses, 9.2% condominiums, 7.6% shopping centers, 6.5% hotels and motels, 4.8% office buildings, 1.3% real estate, 6.5% other and 0.4% medical centers. Investments are located in 10 states with the largest concentration in Texas. Although 76% of loans are tied to prime, some loans have reached their maximum which would lower this percentage. Trust has one problem loan of $600T, or 0.7% of the March portfolio. It is a land loan and trust has taken title to the land. Sale of the property is being negotiated and management expects to recover all interest and principal upon completion of sale. Financing: Trust is funded 46% by capital and 54% by non-convertible debt. Capital of $42.0M is 52% in equity (with 1.18M shares) and 48% in 7 3/4% senior suboridinated debentures. Debt of $49.6M is 76% in bank loans,17% in commercial paper and 7% in notes payable to others. At the end of March, the trust withdrew its planned offering of 800,000 new shares. Trust has just obtained a $2.5M increase in domestic bank lines at 0.5% over the prime rate and a $3.0M three-year loan from a London bank at 1.25% over the London interbank rate. Trust is also negotiating for a $15M term loan. Sponsor: The adviser is a wholly-owned subsidiary of Glenn Justice Mortgage Co., headquartered in Dallas and one of the

larger U.S. mortgage banking companies. Trustees, officers and mtg. co. as a group own some 3.6% of the shares. Results & outlook: Current quarter earnings and dividends were down due to the high cost of money, a slowdown in portfolio growth and portfolio yield and the fact that trust did not earn any fee income during the March quarter. The small problem loan had very little impact on results. Due to probable high interest rates for the next few months and the fact that fundings will remain level for the next 3 months, the upcoming quarter will produce level earnings and dividends at best. The increase in fundings slated for the Sept. qtr. should permit some gain in earnings and dividends. Trust's low leverage ratio and new financing will give it an ability to increase rather than slow new fundings. Although the trust is one of the better managed short-term REIT's the shares which carry an annualized 17.5% yield are a speculative investment due to the poor industry financing climate. (VCK)

AMERICAN CENTURY MORTGAGE INVESTORS (7 3/8--NYSE-ACT) FY June 30

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price Range-	-Yld.range-
3/73	$169.8M	9.58%	9.46%	$0.50	$0.58	$26.13-19.63	11.8- 8.9%
6/73	172.2	9.97	6.15	0.30	0.58	21.25-15.88	14.6-10.9
9/73	169.0	11.52	9.31	0.50	0.45	20.00-16.25	11.1- 9.0
12/73	175.7	11.44	5.40	0.25	0.25	19.25- 8.88	11.3- 5.2

Portfolio dynamics: Holdings have risen 2% in the past two quarters but most of the gain represents the trust's assumption of a $15.14M construction loan relating to a nearly-complete office building near Washington, D. C. Excluding this transaction, portfolio holdings would have declined about 9% over the past six months. The trust currently is following a policy of maintaining liquidity and thus is not making new commitments, indicating portfolio holdings will decline still further. Portfolio holdings are 75% first mortgage construction and development loans, 1% permanent, 2% other, 2.5% land purchase/leasebacks; 1.4% real estate acquired in lieu of foreclosure: 1.2% land acquired in foreclosure; 15.6% buildings being completed following acquisition; and 1.0% other investments. Funded investments are about 31% apartments, 21% condominiums, 11% hotels and motels, 19% land and land development, 9% office buildings. Holdings are mainly concentrated in the Southeast, although geographic distribution is broad. Approximately 18% of invested assets were non-earning at Dec. 31, although this percentage has declined slightly since then, and the major problems relate to trust investments in the troubled Pomponio Bros. Realty & Construction Co. in Washington (see RIR, Sept. 25, 1972). Status of principal problems is: 1) The Stouffer Motor Inn in Washington, with trust investment of $12.4 million, opened April 1 and initial reception has been good. The motor hotel is net leased to Stouffer's for $708,000 annually (or about $0.07/share per quarter), plus percentages of room rentals. 2) The Fillmore-Pierce office building of 300,000 sq. ft. is just being completed near Washington's National Airport. ACT sold the building to U.S. Financial in early 1972 but U.S. Financial's later financial difficulties (it is under Chapter XI protection) caused a default and ACT has resumed ownership. The trust has guaranteed a construction loan with approx. $15.1 million outstanding to another trust pending ultimate sale of the building. 3) ACT holds a $7.5 million participation in the 624-unit Marina Del Rey Apartments in Los Angeles sponsored by Urbanetics Communities, a developer which sought Chapter XI protection in January. ACT is not accruing interest and is hopeful of obtaining possession of the project for sale or completion soon. In addition ACT has $2.2M invested in downtown Washington land (whose zoning is being contested) and $2.5M in apartments acquired in lieu of foreclosure. Financing: The trust is financed by 35% capital and 65% non-convertible debt. Capital of $65.3M is 82% shareholders' equity (with 2.61M shares) and 18% convertible debentures. Non-convertible debt of $120.6M is 59% short-term bank borrowings, 21% bank term loans, 12% mortgage debt related to the acquired office building, and 7% commercial paper. Commercial paper is sold mainly in Jacksonville and no difficulties in sales reported. No offering planned. Sponsor: American Heritage, Florida life ins. co., owns 3.3% of trust. Merrill Lynch, et al., largest stockbroker, owns 20% of adv. Results & outlook: The drag of non-earning assets and higher interest costs to carry them hurt the Dec. quarter and will also affect the March quarter. Restoration of the Stouffer motel to profitability will aid moderately the June quarter, although major problems outlined above continue. The shares remain highly speculative for very long-term recovery. (KDC)